

Sietech Hearing Limited

**Directors' report and financial
statements**

Registered number 1315581

31 October 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2001.

Principal activities

The principal activities of the company are as consultants, distributors and dealers of hearing aids.

The company operates within the United Kingdom. In the previous year the company also operated a branch in Eire.

Business review

The trading results of the company for the year are set out on page 5 of the financial statements.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company is £95,739.

Directors and directors' interests

The directors who held office during the year were as follows:

N J F Reeves
C P Cartwright
G B Williams (resigned 11 June 2002)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

The directors' interests in the shares of the ultimate holding company are disclosed in that company's financial statements.

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable donations

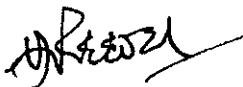
The company made no political or charitable donations during the year.

Directors' report *(continued)*

Auditors

KPMG were reappointed as auditors during the year. However, their business has now been transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 21 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



N J F Reeves
Secretary

Amplivox House
Stanneylands Road
Wilmslow
Cheshire

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



St James' Square
Manchester M2 6DS
United Kingdom

Independent auditors' report to the members of Sietech Hearing Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as 31 October 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

29 August 2002

Profit and loss account
for the year ended 31 October 2001

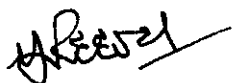
	<i>Note</i>	2001 £	2000 £
Turnover from continuing operations	2	12,677,543	11,800,056
Cost of sales		(8,062,891)	(8,229,168)
Gross profit		4,614,652	3,570,888
Administrative expenses		(4,461,304)	(2,649,403)
Other operating income		11,228	14,010
Operating profit from continuing operations		164,576	935,495
Other interest receivable and similar income	6	1,986	715
Interest payable and similar charges	7	(57)	(16,281)
Profit on ordinary activities before taxation	2-7	166,505	919,929
Tax on profit on ordinary activities	8	(70,766)	(238,189)
Retained profit for the financial year		95,739	681,740
Retained loss brought forward		(1,656,081)	(2,337,821)
Retained loss carried forward		(1,560,342)	(1,656,081)

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet
at 31 October 2001

	Note	2001 £	£	2000 £	£
Fixed assets					
Tangible assets	10	687,583		793,115	
Current assets					
Stocks	11	293,455		200,295	
Debtors	12	4,883,718		4,076,395	
Cash at bank and in hand		6,375		96,881	
		<u>5,183,548</u>		<u>4,373,571</u>	
Creditors: amounts falling due within one year	13	<u>(3,321,473)</u>		<u>(2,712,767)</u>	
Net current assets			1,862,075		1,660,804
Net assets			<u>2,549,658</u>		<u>2,453,919</u>
Capital and reserves					
Called up share capital	15	1,800,000		1,800,000	
Other reserves	16	2,310,000		2,310,000	
Profit and loss account		(1,560,342)		(1,656,081)	
Equity shareholders' funds			<u>2,549,658</u>		<u>2,453,919</u>

These financial statements were approved by the board of directors on 23 August 2002 and were signed on its behalf by:



N J F Reeves
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 October 2001

	2001 £	2000 £
Profit for the financial year	95,739	681,740
Net addition to shareholders' funds	<u>95,739</u>	<u>681,740</u>
Opening shareholders' funds	2,453,919	1,772,179
Closing shareholders' funds	<u><u>2,549,658</u></u>	<u><u>2,453,919</u></u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of the group headed by Ultravox Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Ultravox Holdings Limited, within which this company is included, can be obtained from the address given in note 20. Other related party transactions are set out in note 19 to the financial statements.

Goodwill

Purchased goodwill relating to businesses purchased by the company (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised to nil by equal instalments over its estimated useful life being the lower of the directors' opinion of the useful life of the assets or 10 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	-	Shorter of life of lease or 10 years
Motor vehicles	-	25% per annum
Equipment	-	15-20% per annum

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The results of the overseas branch are translated at average rates in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Post retirement benefits

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

The company's turnover and profit on ordinary activities before taxation are all derived from the company's principal activities. The geographical analysis of turnover is as follows:

	2001 £	2000 £
United Kingdom	12,677,543	11,754,058
Eire	-	45,998
	<u>12,677,543</u>	<u>11,800,056</u>

3 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated: after charging/(crediting)</i>		
Auditors' remuneration - audit	8,040	8,000
Depreciation	304,380	328,510
Amortisation of goodwill	-	6,500
Hire of other assets - operating leases	295,291	341,001
Exchange losses	10,432	11
Rents receivable	(74,056)	(74,185)
Loss/(profit) on disposal of fixed assets	1,644	(17,573)
	<u> </u>	<u> </u>

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments:		
As directors	606,444	249,472
Pension contributions	1,213,200	-
	<u>1,819,644</u>	<u>249,472</u>

The emoluments, excluding pension contributions, of the chairman who is also the highest paid director were £41,000 (2000: £40,000) and pension contributions of £1,197,700 (2000: £nil) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to 2 (2000: nil) directors under defined contribution schemes.

During the year directors' emoluments, including pension costs, of £1,729,837 (2000: £171,000) were recharged from Ultratone Limited. This includes remuneration of £58,000 (2000: £26,000) for directors services in respect of people who are not registered as directors of the company.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Administration	72	70
Sales	70	72
	<u>142</u>	<u>142</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	4,463,083	3,923,459
Social security costs	326,691	308,791
Pension costs (see note 18)	1,311,225	111,809
	<u>6,100,999</u>	<u>4,344,059</u>

6 Other interest receivable and similar income

	2001	2000
	£	£
Interest on employee loans	950	715
Interest on tax	1,036	-
	<u>1,986</u>	<u>715</u>

7 Interest payable

	2001	2000
	£	£
Interest on VAT assessment	-	15,831
Other interest	57	450
	<u>57</u>	<u>16,281</u>

Notes (continued)

8 Taxation

	2001 £	2000 £
<i>UK corporation tax</i>		
Current tax on income for the period	54,350	285,250
Adjustments in respect of prior periods	16,416	(47,061)
Tax on profit on ordinary activities	<u>70,766</u>	<u>238,189</u>

The current tax charge for the year has been increased by the effect of costs during the year which are disallowable for corporation tax purposes.

9 Intangible fixed assets

	Purchased goodwill £
<i>Cost</i>	
At beginning and end of year	628,090
<i>Amortisation</i>	
At beginning and end of year	628,090
<i>Net book value</i>	
At 31 October 2001 and 31 October 2000	-

Notes (continued)

10 Tangible fixed assets

	Short leasehold land and buildings £	Motor vehicles and equipment £	Total £
Cost			
At beginning of year	23,177	1,461,412	1,484,589
Additions	-	294,583	294,583
Disposals	-	(398,520)	(398,520)
At end of year	23,177	1,357,475	1,380,652
Depreciation			
At beginning of year	11,359	680,115	691,474
Charge for year	2,300	302,080	304,380
On disposals	-	(302,785)	(302,785)
At end of year	13,659	679,410	693,069
Net book value			
At 31 October 2001	9,518	678,065	687,583
At 31 October 2000	11,818	781,297	793,115

11 Stocks

	2001 £	2000 £
Finished goods and goods for resale	293,455	200,295

Notes (continued)

12 Debtors

	2001 £	2000 £
Trade debtors	8,280	8,647
Amounts owed by parent and fellow subsidiary undertakings	4,631,357	3,823,468
Corporation tax	97,719	-
Other debtors	31,240	122,292
Prepayments and accrued income	115,122	121,988
	<u>4,883,718</u>	<u>4,076,395</u>

All debtors fall due within one year.

13 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank overdraft	303,249	22
Trade creditors	451,840	1,047,581
Amounts owed to parent and fellow subsidiary undertakings	1,462,797	264,762
Amounts owed to related companies (see note 19)	-	117,488
Other creditors including taxation and social security:		
Corporation tax	-	238,648
Other taxes and social security	203,914	86,276
Other creditors	581	4,485
	<u>204,495</u>	<u>329,409</u>
Accruals and deferred income	899,092	953,505
	<u>3,321,473</u>	<u>2,712,767</u>

Notes (continued)

14 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

<i>(Asset)/liability</i>	2001		2000	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	-	(32,419)	-	(12,420)
Other timing differences	-	(1,110)	-	(1,110)
	<u>-</u>	<u>(33,529)</u>	<u>-</u>	<u>(13,530)</u>

15 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
1,800,000 ordinary shares of £1 each	<u>1,800,000</u>	<u>1,800,000</u>
<i>Allotted, called up and fully paid</i>		
1,800,000 ordinary shares of £1 each	<u>1,800,000</u>	<u>1,800,000</u>

16 Other reserves

	Capital reserve £
At beginning and end of year	<u>2,310,000</u>

The capital reserve represents non-repayable capital contributions received from the immediate holding company which owned Sietech Hearing Limited prior to its acquisition by Ultratone Limited. The contributions were made in the year ended 30 September 1991.

Notes (continued)

17 Commitments and contingent liabilities

- (i) There were no capital commitments at the end of the year (2000: £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £ 2001	Land and buildings £ 2000
Operating leases which expire:		
Within one year	7,500	-
In the second to fifth years inclusive	214,529	50,750
Over five years	91,900	209,775
	<u>313,929</u>	<u>260,525</u>

- (iii) The company has given its bankers unlimited cross guarantees in favour of all group companies. Group borrowings subject to cross guarantees at the year end amounted to £nil (2000: £nil).

18 Pension scheme

The company operates a defined contribution scheme. The charge against profit in the year represents contributions payable by the company and amounted to £98,025 (2000: £111,809). Contributions amounting to £nil (2000: £1,632) are included in creditors.

In addition, pension costs of £1,213,200 relating to directors were recharged from Ultratone Limited

19 Related party disclosures

The company is controlled by Ultravox Holdings Limited, its ultimate parent undertaking.

The company had a balance due from Ultra Finance Limited at 31 October 2000 of £117,488. On 8 August 2001 Ultra Finance Limited was acquired by Ultravox Holdings Limited and thus became a fellow subsidiary of Sietech Hearing Limited. In accordance with Financial Reporting Standard 8, paragraph 3c, the company has taken advantage of the exemption not to disclose transactions with group companies. The balance at the previous year end arose as a result of sales made by the company for which Ultra Finance Limited takes over the debt and provides credit financing to the third party customer, as well as the transfer of funds between the companies.

Ultra Finance Limited was formerly related to Sietech Hearing Limited through common directorships.

The company made purchases amounting to £19,472 (2000: £9,929) from Amplivox Limited, a company under common control. In addition, the company had a balance due to Amplivox Limited at 31 October 2001 of £129,175 (2000: £95,489).

Notes *(continued)*

20 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Ultratone Limited a company incorporated and registered in England and Wales. The ultimate parent company is Ultravox Holdings Limited, a company incorporated and registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Ultravox Holdings Limited. The consolidated financial statements of the group are available to the public and may be obtained from Companies House, Maindy, Cardiff, CF4 3UZ.